MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

6 JUNE 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SIX (6)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

A) Max Bhd acquired 100% of Min Bhd on 1 January 2017. Max Bhd disposed 25% of its holding in Min Bhd on 1 April 2017. Evaluate the status of Min Bhd in Max Group and the implication of the disposal of shares on Group Statement of Profit or Loss for year 2017 and Group Statement of Financial Position as at 31 December 2017.

(5 marks)

B) Given below are the statements of financial position of Arrow Bhd, Dart Bhd and Flash Bhd as at 31 December 2017.

	Arrow Bhd (RM'000)	Dart Bhd (RM'000)	Flash Bhd (RM'000)
Non-current assets	3,240	3,080	2,280
Investment in Dart Bhd at cost	2,400	-	-
Investment in Flash Bhd at cost	1,560	-	-
Current assets	800	120	120
	8,000	3,200	2,400
Ordinary share capital (RM1 each)	4,000	2,400	1,200
Retained profit at 1 January 2017	800	160	560
Profit for the year	2,400	240	320
Trade and other liabilities	800	400	320
	8,000	3,200	2,400

Additional information:

a) Arrow Bhd acquired 75% of the issued ordinary shares of Dart Bhd on 1 January 2015 for RM2,400,000. The retained profit of Dart Bhd on acquisition date was RM300,000.
b) The goodwill in Dart Bhd was impaired by RM185,000 on 31 December 2015.
c) On 1 January 2014, Arrow Bhd acquired 30% of the ordinary shares of Flash Bhd for RM600,000. Subsequently, on 1 April 2017, Arrow Bhd bought another 40% ordinary shares of Flash Bhd for RM960,000. The 30% shares acquired in year 2014 had a fair value of RM700,000.
d) Included in the current assets of Arrow Bhd is RM40,000 due from Dart Bhd. However, Dart Bhd has remitted RM38,000 on 31 December 2017 which Arrow Bhd received on 1 January 2018.
e) Assume that revenue and expenses of year 2017 accrued evenly throughout the year.

Required:

Prepare the Consolidated Statement of Financial Position of Arrow Group as at 31 December 2017 in accordance with the requirements of MFRS10 *Consolidated Financial Statements.*

(20 marks)

(Total: 25 marks)

Continued...

QUESTION 2 (25 MARKS)

A) "The International Accounting Standards Board (IASB) has published 'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)'. The amendments are effective for periods beginning on or after 1 January 2019".

(The IASB, 12 May 2017)

Required:
Debate the above amendment based on your readings of this new amendment to IAS 28 *Investments in Associates and Joint Ventures.*

(5 marks)

B) Given below are the Statements of Financial Position of Alan Bhd, Jane Bhd and Roger Bhd as at 31 December 2017.

	Alan Bhd (RM'000)	Jane Bhd (RM'000)	Roger Bhd (RM'000)
Land	-	-	4,100
Property, Plant and Equipment	2,000	3,000	2,220
Investments at cost:			
Jane Bhd -2,400,000 ordinary shares	3,000	-	-
Roger Bhd-1,300,000 ordinary shares	1,600	-	-
Loan to Roger Bhd	500	-	-
Inventories	140	400	120
Trade receivables	100	120	90
Bank	160	480	70
	7,500	4,000	6,600
Ordinary share capital at RM1 each	5,000	3,000	5,200
10 percent preference share capital	2,000	300	-
Retained profit	200	250	600
Loan from Alan Bhd	-	-	500
Trade and other payables	300	450	300
	7,500	4,000	6,600

Additional information:

a) Alan Bhd acquired the shares in Jane Bhd on 1 January 2016 when the retained profit of Jane Bhd was RM125,000.
b) On 1 January 2016, Alan Bhd purchased the shares in Roger Bhd when Roger Bhd's retained profit was RM160,000. Alan Bhd has joint control over Roger Bhd.
c) During the year 2017, Alan Bhd sold inventories to Roger Bhd at invoice price RM220,000. Sales are made at cost plus 10 percent. Roger Bhd has not sold any of these inventories.

Continued...

d) Included in the trade receivables of Alan Bhd were RM20,000 due from Jane Bhd. Jane Bhd shows an amount due to Alan Bhd of RM5,000, and the difference is due to inventory in transit.
e) The impairment loss on the investment in joint venture is RM50,000 on 31 December 2017.

Required:
Prepare the Consolidated Statement of Financial Position as at 31 December 2017 in accordance with the requirements of MFRS10 *Consolidated Financial Statements.*

(20 marks)

(Total: 25 marks)

QUESTION 3 (25 MARKS)

A) H Bhd acquired 80% of S Bhd on 1 January 2017. H Bhd and S Bhd then acquired 10% and 60% of A Bhd respectively on 1 January 2018. Evaluate the group structure of H Group on 1 January 2018 and draw a diagram to support your answer.

(5 marks)

B) Given below are the statements of profit or loss of Rema Bhd, Sumi Bhd and Wow Bhd for the year ended 31 December 2017.

	Rema Bhd RM mil	Sumi Bhd RM mil	Wow Bhd RM mil
Sales	250	175	200
Cost of sales	(50)	(50)	(100)
Gross profit	200	125	100
Consultancy services to Sumi Bhd	7.9	-	-
Operating expenses	(75)	(35)	(30)
Profit before taxation	132.9	90	70
Taxation	(50)	(40)	(35)
Profit for the year	82.9	50	35

	RM mil	RM mil	RM mil
Retained profit as at 1 January 2017	20	60	10
Dividends paid	10	-	-

Additional information:
a) On 1 January 2016, Rema Bhd purchased 70 milion ordinary shares of Sumi Bhd for a consideration of RM180 million. The retained profit of Sumi Bhd on acquisition date was RM40 million. The issued share capital of Sumi Bhd is made up of 100 million at RM2 each.

Continued...

b) On 1 January 2017, Sumi Bhd acquired 45 million ordinary shares of Wow Bhd for RM40 million. The issued share capital of Wow Bhd comprised 50 million ordinary shares at RM1 each.
c) Rema Bhd charged Sumi Bhd for its consultancy services of RM7.9 million. The amount paid by Sumi Bhd is included in its operating expenses.
d) During the year, Sumi Bhd sold goods costing RM25 million for RM30 million to Rema Bhd. Rema Bhd sold one-half of these goods.
e) Twenty percent of Sumi Bhd's goodwill was impaired as at 31 December 2017.

REQUIRED:

i) Calculate the goodwill and / or bargain purchase of Sumi Bhd and Wow Bhd.
ii) Ascertain the financial performance of the group using a consolidated statement of profit or loss for the year ended 31 December 2017 in accordance with the requirements of MFRS10 *Consolidated Financial Statements*.
iii) Calculate the group's retained profit as at 31 December 2017.

(20 marks)

(Total: 25 marks)

QUESTION 4 (25 MARKS)

Consolidated Statements of Financial Position of Crew Group as at 31 December

	2017	2016
	RM'000	RM'000
Property, plant and equipment	38,340	28,500
Investment in associate companies	5,700	4,800
Inventory	5,400	7,200
Trade receivables	4,200	4,500
Bank	5,100	1,200
	58,740	46,200
Ordinary share capital	27,000	22,800
Retained profits	23,640	12,000
Non-controlling interest	4,800	7,200
Trade payables	3,300	4,200
	58,740	46,200

Continued...

	'000	'000
Number of ordinary shares	21,000	18,000

Consolidated Statements of Profit or Loss for the year ended 31 December 2017

	2017
	RM'000
Profit before tax (including gain on disposal of subsidiary)	18,000
Share of profits of associate companies	1,200
	19,200
Tax- Crew Bhd and subsidiaries	-3,000
Profit after tax	16,200
Profit after tax attributable to:	
Equity holders of Crew Bhd	14,640
Non-controlling interest	1,560
	16,200
Dividends proposed and provided by Crew	3000

Additional information:

a) Profit before tax includes a depreciation charge of RM 2,100,000, gain on the sale of subsidiary and the gain on the disposal of property, plant and equipment.

b) Property, plant and equipment of carrying amount RM4,800,000 were sold for cash of RM6,000,000.

c) On 1 January 2017, Crew Bhd disposed its 75 percent interest in Beat Bhd, by paying cash RM15,600,000. The fair value of the net assets of Beat Bhd on 1 January 2017 is as follows:

	RM '000
Property, plant and equipment	12,000
Inventory	1,200
Trade receivables	600
Bank	1,800
Trade payables	(600)
Non-controlling interest	(3,750)
	11,250

Continued...

Required:

i) Prepare the consolidated cash flow statement for the year ended 31 December 2017 in accordance with the requirements of MFRS 107 *Statement of Cash Flows* using the indirect method.

(18 marks)

ii) Compute for year 2017, two liquidity ratios for Crew Group and interpret your answer.

(7 marks)

(Total: 25 marks)

End of Page